

GLENMARK PHARMACEUTICALS (MALAYSIA) SDN. BHD.

[200401021892 (660397 W)]

(Incorporated in Malaysia)

*Reports and audited financial statements
for the year ended 31 March 2020*

S P TAN & SUNDAR

Chartered Accountants

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GLENMARK PHARMACEUTICALS (MALAYSIA) SDN. BHD.**

(Incorporated in Malaysia)
Company No : 200401021892 (660397 W)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Glenmark Pharmaceuticals (Malaysia) Sdn. Bhd., which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 45.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standard, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GLENMARK PHARMACEUTICALS (MALAYSIA) SDN. BHD. (CONTD.)**

(Incorporated in Malaysia)
Company No : 200401021892 (660397 W)

Information Other than the Financial Statements and Auditors' Report Thereon (contd.)

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GLENMARK PHARMACEUTICALS (MALAYSIA) SDN. BHD. (CONTD.)**

(Incorporated in Malaysia)

Company No : 200401021892 (660397 W)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GLENMARK PHARMACEUTICALS (MALAYSIA) SDN. BHD. (CONTD.)**

(Incorporated in Malaysia)
Company No : 200401021892 (660397 W)

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



S P TAN & SUNDAR
AF No : 1527
Chartered Accountants



LEONG WAI LENG
2898/03/21 (J)
Chartered Accountant

Dated : 15 MAY 2020

Kuala Lumpur

GLENMARK PHARMACEUTICALS (MALAYSIA)
SDN. BHD. [200401021892 (660397 W)]
(Incorporated in Malaysia)

Statement of financial position
as at 31 March 2020

	Note	31 March 2020 RM	31 March* 2019 RM	1 April* 2018 RM
Non current assets				
Plant and equipment	4	472,129	623,763	277,799
Right of use assets	5	313,070	-	-
Deferred tax assets	6	224,168	-	-
		<u>1,009,367</u>	<u>623,763</u>	<u>277,799</u>
Current assets				
Trade and other receivables	7	25,616,639	25,583,616	27,792,353
Deposits and prepayments	8	151,172	109,684	46,674
Current tax assets		-	168,405	19,010
Cash and cash equivalents	9	15,639,958	6,545,607	7,284,199
Total current assets		<u>41,407,769</u>	<u>32,407,312</u>	<u>35,142,236</u>
Total assets		<u>42,417,136</u>	<u>33,031,075</u>	<u>35,420,035</u>
EQUITY AND LIABILITIES				
Equity				
Contributed share capital	10	5,686,618	5,686,618	5,686,618
Retained earnings	11	4,299,942	3,285,196	4,833,924
Total equity		<u>9,986,560</u>	<u>8,971,814</u>	<u>10,520,542</u>
Non current liabilities				
Lease liabilities	5	78,056	-	-
Deferred tax liabilities	6	-	15,592	530,577
		<u>78,056</u>	<u>15,592</u>	<u>530,577</u>
Current liabilities				
Trade and other payables	12	32,066,395	24,043,669	24,368,916
Lease liabilities	5	250,270	-	-
Current tax liabilities		35,855	-	-
		<u>32,352,520</u>	<u>24,043,669</u>	<u>24,368,916</u>
Total liabilities		<u>32,430,576</u>	<u>24,059,261</u>	<u>24,899,493</u>
Total equity and liabilities		<u>42,417,136</u>	<u>33,031,075</u>	<u>35,420,035</u>

* Not restated (Note 2.2b)

he annexed notes form an integral part of these financial statements.

GLENMARK PHARMACEUTICALS (MALAYSIA)
SDN. BHD. [200401021892 (660397 W)]
(Incorporated in Malaysia)

**Statement of profit or loss and other comprehensive income
for the year ended 31 March 2020**

		2020	2019
		RM	RM
Revenue	13	64,647,641	55,656,370
Other operating income		72,691	685,807
Changes in inventories of trading goods		-	-
Purchase of trading goods		(25,173,582)	(22,413,490)
Employee benefits expenses	14	(5,895,418)	(4,901,580)
Depreciation of plant and equipment		(179,786)	(136,951)
Depreciation of right-of-use assets		(234,324)	-
Other operating expenses		(31,782,358)	(30,862,994)
Profit/(Loss) from operations	15	<u>1,454,864</u>	<u>(1,972,838)</u>
Finance cost	16	(42,892)	-
Profit/(Loss) before tax		<u>1,411,972</u>	<u>(1,972,838)</u>
Tax expense	17	(397,226)	424,110
Profit/(Loss) for the financial year		<u>1,014,746</u>	<u>(1,548,728)</u>
Other comprehensive income, net of tax		-	-
Total comprehensive income		<u>1,014,746</u>	<u>(1,548,728)</u>

The annexed notes form an integral part of these financial statements.

**GLENMARK PHARMACEUTICALS (MALAYSIA)
SDN. BHD.** [200401021892 (660397 W)]
(Incorporated in Malaysia)

**Statement of changes in equity
for the financial year ended 31 March 2020**

	<i>Share capital RM</i>	<i>Distributable Retained earnings RM</i>	<i>Total RM</i>
Balance at 1 April 2018	5,686,618	4,833,924	10,520,542
Loss for the financial year	-	(1,548,728)	(1,548,728)
Other comprehensive income	-	-	-
Total comprehensive income	-	(1,548,728)	(1,548,728)
Balance at 31 March 2019	5,686,618	3,285,196	8,971,814
Adjustment Application of MFRS 16 (Note 2.2b)	-	-	-
Balance at 1 April 2019	5,686,618	3,285,196	8,971,814
Profit for the financial year	-	1,014,746	1,014,746
Other comprehensive income	-	-	-
Total comprehensive income	-	1,014,746	1,014,746
Balance at 31 March 2020	5,686,618	4,299,942	9,986,560

The annexed notes form an integral part of these financial statements.

**GLENMARK PHARMACEUTICALS (MALAYSIA)
SDN. BHD.** [200401021892 (660397 W)]
(Incorporated in Malaysia)

**Statement of cash flows
for the year ended 31 March 2020**

	2020	2019
	RM	RM
Cash flows from operating activities		
Profit/(Loss) before tax	1,411,972	(1,972,838)
Adjustments for :-		
Depreciation of plant and equipment	179,786	136,951
Depreciation of right-of-use asset	234,324	-
Interest expenses	42,892	-
Plant and equipment written off	4,899	-
Previous year unrealised gain written back	4,219	2,168,170
Previous year unrealised loss written back	(19,960)	-
Unrealised loss on exchange	1,032,185	19,960
Unrealised gain on exchange	(52,731)	(4,219)
Operating profit before working capital changes	<u>2,837,586</u>	<u>348,024</u>
Receivables	(1,820)	2,207,028
Amount due to holding company	6,141,220	(2,421,830)
Payables	<u>845,102</u>	<u>(148,629)</u>
Cash inflow/(outflow) from operations	9,822,088	(15,407)
Tax paid	(432,726)	(248,028)
Tax penalty	-	7,758
Net cash inflow/(outflow) from operating activities	<u>9,389,362</u>	<u>(255,677)</u>
Cash flows used in investing activities		
Purchase of plant and equipment	(33,051)	(482,915)
Cash flows used in financing activities		
Repayment of lease liability including interest of RM42,892 (2019 : RM NIL)	<u>(261,960)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	9,094,351	(738,592)
Cash and cash equivalents at beginning of year	6,545,607	7,284,199
Cash and cash equivalents at end of year (Note 9)	<u>15,639,958</u>	<u>6,545,607</u>

The annexed notes form an integral part of these financial statements.

**Notes to the financial statements
for the year ended 31 March 2020**

1. General information

The Company, Glenmark Pharmaceuticals (Malaysia) Sdn. Bhd., is a private company incorporated and domiciled in Malaysia. The principal activity of the Company is trading in pharmaceutical products. There is no significant change in the nature of the Company's businesses during the year.

The Company's registered office is located at Suite 12B-23, Level 12B, Wisma Zelan No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras 56000 Kuala Lumpur and its principal place of business is located at D-31-02, Menara Suezcap 1, No. 2, Jalan Kerinchi, 59200, Kuala Lumpur.

The Company's holding company is Glenmark Pharmaceuticals Limited, which is incorporated in India. Related companies refer to companies within Glenmark Pharmaceuticals Limited group.

The financial statements of the Company are presented in Ringgit Malaysia (RM) which is also the Company's functional currency.

The financial statements were authorised for issue by the Board of Directors on 15 May 2020.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") as issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act, 2016 in Malaysia.

This is the Company's first financial statements prepared in accordance with MFRSs, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous financial years, the financial statements of the Company were prepared in accordance with Malaysia Private Entities Reporting Standard ("MPERS") in Malaysia.

2. Significant accounting policies

2.1 Basis of preparation (contd.)

The Company has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 April 2018 and throughout all financial years presented, as if these policies had always been in effect. Comparative figures for the financial year ended 31 March 2019 in these financial statements have been restated to give effect to these changes, if any.

The financial statements of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of these financial statements in conformity with MFRSs and IFRS requires the directors to make estimates and assumptions that affect the reported amounts to assets, liabilities, revenue and expenses and disclosure of contingent liabilities. In addition, the directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 3 to the financial statements. Although these estimates and assumptions are based on the directors' best knowledge of events and actions, actual results could differ from those estimates.

2.2 New MFRS adopted during the financial year

- (a) The financial statements of the Company for the financial year ended 31 March 2019 were previously prepared in accordance with MPERS. During the financial year ended 31 March 2020, the Company has adopted MFRS for the first-time and the financial statements for the financial year ended 31 March 2020 are the first financial statements of the company prepared in accordance with MFRS.

In adopting the new MFRS Framework, the Company applied the transition requirements in MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*. The Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

2. Significant accounting policies

2.2 New MFRS adopted during the financial year (contd.)

The Company have adopted the following new MFRS, amendments/improvements to MFRSs and the new IC Int that are mandatory for the current financial year/period:

New MFRS

MFRS 16 Leases

Amendments/Improvements to MFRSs

MFRS 3 Business Combinations
MFRS 9 Financial Instruments
MFRS 11 Joint Arrangements
MFRS 112 Income Taxes
MFRS 119 Employee Benefits
MFRS 123 Borrowing Costs
MFRS 128 Investments in Associates and Joint Ventures

New IC Int

IC Int 23 Uncertainty over Income Tax Treatments

Adoption of the above standards, including MFRS 9(Financial Instruments) and MFRS 16 (Leases) did not have any significant effect on the financial position or financial performance of the Company.

(b) Explanation of transition to MFRS

The Company applied MFRS 16 to its lease of office building previously classified as an operating lease under MPERS Section 20, the modified retrospective approach and has chosen to measure the right of use asset at an amount equal to lease liability. Hence, there is no adjustment required at the date of initial application of MFRS 16.

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

The Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

2. Significant accounting policies (contd.)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (contd.)

	Effective for financial periods beginning on or after
<u>New MFRS</u>	
MFSR 17 Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>	
MFRS 1 First-time adoption of MFRSs	1 January 2020 [^] / 1 January 2023 [#]
MFRS 3 Business Combinations	1 January 2020/ 1 January 2022/ 1 January 2023 [#]
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7 Financial Instruments: Disclosures	1 January 2020/ 1 January 2023 [#]
MFRS 9 Financial Instruments	1 January 2020/ 1 January 2022 [^] / 1 January 2023 [#]
MFRS 10 Consolidated Financial Statements	Deferred
MFRS 15 Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 16 Leases	1 June 2020 [*] / 1 January 2022 [^]
MFRS 101 Presentation of Financial Statements	1 January 2020/ 1 January 2022/ 1 January 2023 [#]
MFRS 107 Statements of Cash Flows	1 January 2023 [#]
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116 Property, Plant and Equipment	1 January 2022/ 1 January 2023 [#]
MFRS 119 Employee Benefits	1 January 2023 [#]
MFRS 128 Investment in Associates and Joint Ventures	Deferred/ 1 January 2023 [#]

2. Significant accounting policies (contd.)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (contd.)

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs (contd.)</u>		
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2020 [^]

The Company is in the process of assessing the impact of implementing these Standards since the effects would only be observable for future financial years.

[^] The Annual Improvements to MFRS Standards 2018-2020

* Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

2.4 Summary of significant accounting policies

(a) *Plant and equipment and accumulated depreciation*

All items of plant and equipment are initially measured at cost less any accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(a) *Plant and equipment and accumulated depreciation (contd.)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Company and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Company is obligated to incur when the asset is acquired, if applicable.

Each part of an item of plant and equipment with a cost that is significant in relation to the cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation rates are as follows :-

Computer equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%
Office equipment	20%

At the end of each reporting period, the carrying amount of an item of plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (See Note 2.4(b)) to the financial statements on impairment of non-financial assets).

The residual values, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(a) Plant and equipment and accumulated depreciation (contd.)

The carrying amount of an item of plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

(b) Leases

The Company as a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under MFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for lease of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

i. Leases classified as operating leases under MPERS Section 20

Previously, the Company classified property leases as operating leases under MPERS Section 20. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 April 2019. Right-of-use assets (ROU assets) are measured at either an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Subsequent to initial recognition, the ROU assets is measured at cost less accumulated depreciation and impairment losses and adjusted for any measurement of the lease liability. The ROU assets is depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(b) Leases (contd.)

The Company as a lessee (contd.)

i. Leases classified as operating leases under MPERS Section 20 (contd.)

The Company has tested its ROU assets for impairment on the date of transition and has concluded that there is no indication that the ROU assets are impaired.

The Company used a number of practical expedients when applying MFRS 16 to leases previously classified as operating expenses under MPERS Section 20 Leases. In particular, the Company:-

- a) Did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- b) Did not recognise right-of-use assets and liabilities for leases of low value assets;
- c) Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- d) Used hindsight when determining the lease term.

(c) Impairment of non-financial assets

The carrying amounts of assets, is reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(c) *Impairment of non-financial assets (contd.)*

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in the profit or loss immediately. An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

(d) *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Company.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Company.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(d) Financial instruments (contd.)

Financial instruments are recognised on the statement of financial position when the Company has become a party to the contractual provisions of the instruments. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if, the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(i) Financial assets

A financial asset is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement :-

(i) Financial assets at fair value through profit and loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss is subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(d) Financial instruments (contd.)

(i) Financial assets (contd.)

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that has been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(ii) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following category after initial recognition for the purpose of subsequent measurement :-

- (i) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(d) Financial instruments (contd.)

(ii) Financial liabilities (contd.)

(i) Financial liabilities at fair value through profit or loss (contd.)

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(d) Financial instruments (contd.)

(iii) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs, and are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(e) Impairment of financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(f) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalization is the actual borrowing cost incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

(g) Income taxes

Income taxes include all domestic and foreign taxes, if any, on taxable profit. Income taxes also include other taxes, such as withholding taxes which are payable by a foreign jointly controlled entity on distributions to the Company, and real property gains taxes payable on disposal of properties, if any.

Taxes in the statement of comprehensive income comprise current tax and deferred tax.

(i) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Company operates and include all taxes based upon the taxable profits.

(ii) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(g) Income taxes (contd.)

(ii) Deferred tax (contd.)

Deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax assets will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either :-

- (i) the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantial effect of actual enactment by the end of the reporting period.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(h) Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

(i) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one of more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but disclose its existence where the inflows of economic benefits are probable, but not virtually certain

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(j) Foreign currencies

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purpose.

The principal closing rates used in translation of foreign currency amounts are as follows :-

	2020	2019
	RM	RM
US Dollar	<u>4.3025</u>	<u>4.0810</u>

(k) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods have been transferred to the customer and where the Company retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and services and acceptance by customers.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(l) *Employee benefits*

- i) Obligations for contributions to defined contribution plans are recognised as expenses in the income statement as incurred.
- ii) Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(m) *Fair value measurements*

The fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement methods adopted assumes that the transaction to sell the assets or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Company measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participant would take these characteristics into account when pricing the asset or liability. The company has considered the following characteristics when determining fair value:-

- a) The condition and location of the asset, and
- b) Restriction, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(m) Fair value measurements (contd.)

- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

3. Significant accounting judgments and estimates

(i) Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The directors are of the opinion that there are no changes in estimates at the end of the reporting period.

(ii) Critical judgments made in applying accounting policies

There are no critical judgements made by management in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

(iii) Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Determination of the lease term for leases

The Company determines the lease term of a lease as the non-cancellable period of the lease, together with periods covered by an option to extend or to terminate the lease if the Company is reasonably certain to exercise the relevant options. Management has considered the relevant facts and circumstances that create an economic incentive for the Company to either exercise the option to extend the lease, or to exercise the option to terminate the lease. Any differences in expectations from the original estimates would impact the carrying amounts of the lease liabilities of the Company.

3. Significant accounting judgments and estimates

(iii) Key sources of estimation uncertainty (contd.)

(b) Depreciation of plant and equipment

The cost of plant and equipment is depreciated on a straight line basis over the assets' useful lives. Management estimates the useful lives of these plant and equipment to be five (5) years. These are common life expectancies applied in the industry in which the Company operates. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

(c) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

(d) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the CGU to which the asset is allocated, the directors and management is required to make an estimate of the expected future cash flows from the CGU and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(e) Measurement of a provision

The Company uses a "best estimate" as the basis for measuring a provision. Management evaluates the estimates based on the Company's historical experiences and other inputs or assumptions, current developments and future events that are reasonably possible under the particular circumstances. In the case when a provision relates to large population of customers, a probability weighted estimate of the outflows required to settle the obligation is used. In the case of a single estimate, a referenced contractor's price or market price is used as the best estimate. If an obligation is to be settled over time, the expected outflows are discounted at a rate that takes into account the time value of money and the risk that the actual outcome might differ from the estimates made. The actual outcome may differ from the estimates made and this may have significant effect on the Company's financial position and results.

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3. Significant accounting judgments and estimates

(iii) Key sources of estimation uncertainty (contd.)

(f) Determining the value-in-use

In determining the value-in-use of stand-alone asset or a cash-generating unit, management uses reasonable and supportable inputs about sales, cost of sales and other expenses based upon past experiences, current events and reasonably possible future developments. Cash flows are projected based on those inputs and discounted at an appropriate discount rate(s). The actual outcome or events may not coincide with the inputs or assumptions and the discount rate applied in the measurement, and this may have significant effect on the Company's financial position and results.

4. Plant and equipment

	<i>Balance as at 1.4.2019</i>	<i>Additions</i>	<i>Write off</i>	<i>Balance as at 31.3.2020</i>
2020	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
At cost				
Computers	178,590	29,051	(35,710)	171,931
Furniture and fixtures	591,441	-	(147,498)	443,943
Motor vehicles	325,928	-	-	325,928
Office equipment	61,470	4,000	(26,838)	38,632
	<u>1,157,429</u>	<u>33,051</u>	<u>(210,046)</u>	<u>980,434</u>
	<i>Balance as at 1.4.2019</i>	<i>Charge of the year</i>	<i>Write off</i>	<i>Balance as at 31.3.2020</i>
2020	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Accumulated depreciation				
Computers	136,298	18,593	(35,030)	119,861
Furniture and fixtures	201,755	88,108	(146,453)	143,410
Motor vehicles	168,396	65,186	-	233,582
Office equipment	27,217	7,899	(23,664)	11,452
	<u>533,666</u>	<u>179,786</u>	<u>(205,147)</u>	<u>508,305</u>

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*(Incorporated in Malaysia)***4. Plant and equipment (contd.)**

	<i>Balance as at</i>			<i>Balance as at</i>
2019	1.4.2018	<i>Additions</i>	<i>Write off</i>	31.3.2019
At cost	RM	RM	RM	RM
Computers	164,085	14,505	-	178,590
Furniture and fixtures	155,219	436,222	-	591,441
Motor vehicles	325,928	-	-	325,928
Office equipment	29,282	32,188	-	61,470
	<u>674,514</u>	<u>482,915</u>	<u>-</u>	<u>1,157,429</u>

	<i>Balance as at</i>			<i>Balance as at</i>
2019	1.4.2018	<i>Additions</i>	<i>Write off</i>	31.3.2019
Accumulated depreciation	RM	RM	-	RM
Computers	120,306	15,992	-	136,298
Furniture and fixtures	151,031	50,724	-	201,755
Motor vehicles	103,210	65,186	-	168,396
Office equipment	22,168	5,049	-	27,217
	<u>396,715</u>	<u>136,951</u>	<u>-</u>	<u>533,666</u>

	<i>2020 RM</i>	<i>2019 RM</i>
<i>Carrying amount</i>		
Computer equipment	52,070	42,292
Furniture and fixtures	300,533	389,686
Motor vehicles	92,346	157,532
Office equipment	27,180	34,253
	<u>472,129</u>	<u>623,763</u>

The costs of fully depreciated assets which are still in use are as follows :-

Computer equipment	41,647	94,547
Office equipment	629	18,500
Furniture and fixtures	3,104	147,905
	<u>45,380</u>	<u>260,952</u>

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5. Right of use assets and lease liabilities

(a) Right of use assets

	2020	2019*
	RM	RM
<i>Cost</i>		
At beginning of year	-	-
Additions	547,394	-
At end of year	<u>547,394</u>	<u>-</u>
<i>Accumulated depreciation</i>		
At beginning of year	-	-
Charge for the year	234,324	-
At end of year	<u>234,324</u>	<u>-</u>
<i>Net book value</i>	<u>313,070</u>	<u>-</u>

The right-of-use assets represent non-cancellable operating lease agreements entered into by the Company for the use of office premise. The leases are mainly for an initial lease period of three (3) with the option to renew every two (2) years at an increase rental up to 8% and to be mutually agreed by both parties.

(b) Lease liabilities

	2020	2019*
	RM	RM
Future lease payments payable :-		
- Not later than 1 year	261,960	-
- Later than 1 year and not later than 5 years	87,320	-
Total future minimum lease payments	<u>349,280</u>	<u>-</u>
Less : Future finance charges	(20,954)	-
Present value of minimum lease payments	<u>328,326</u>	<u>-</u>
Payments due within 1 year as current	(250,270)	-
Non current portion	<u>78,056</u>	<u>-</u>

The movements of lease liabilities during the financial year are as follows:-

	RM
As at 1 April 2019	547,394
Payments of:	
- Principal	(261,960)
- Interest	42,892
As at 31 March 2020	<u>328,326</u>

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5. Right of use assets and lease liabilities (contd.)

(b) Lease liabilities (contd.)

* As explained in note 2.2(b), the Company applied MFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, there is no comparative information for 2019 in respect of right-of-use asset and lease liabilities.

6. Deferred tax assets/(liabilities)

	2020 RM	2019 RM
As at 1 April	(15,592)	(530,577)
Recognise in profit or loss (Note 17)	239,760	514,985
As at 31 March	<u>224,168</u>	<u>(15,592)</u>

Movement in temporary differences during the year :-

	<i>Plant and equipment</i> RM	<i>Provision</i> RM	<i>Total</i> RM
As at 1 April 2019	(19,372)	3,780	(15,592)
Recognise in profit or loss	8,471	231,289	239,760
As at 31 March 2020	<u>(10,901)</u>	<u>235,069</u>	<u>224,168</u>
As at 1 April 2018	(10,317)	(520,260)	(530,577)
Recognise in profit or loss	(9,055)	524,040	514,985
As at 31 March 2019	<u>(19,372)</u>	<u>3,780</u>	<u>(15,592)</u>

7. Trade and other receivables

Trade receivables		
- Third parties	25,502,258	25,443,582
Other receivables		
- Third parties	114,381	140,034
	<u>25,616,639</u>	<u>25,583,616</u>

The Company's normal trade credit term is 75 days and 105 days (2019 : 75 days and 105 days).

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7. Trade and other receivables (contd.)

The ageing analysis of the Company's trade receivables is as follows:-

	<i>Gross Carrying Amount RM</i>	<i>Impairment Losses RM</i>	<i>Balance at 31 March 2020 RM</i>
Not past due	16,595,248	-	16,595,248
Past due 0-30 days	1,408,217	-	1,408,217
Past due 31-60 days	159,223	-	159,223
Past due 61-90 days	7,339,570	-	7,339,570
Past due more than 90 days	-	-	-
	<u>25,502,258</u>	<u>-</u>	<u>25,502,258</u>

8. Deposits and prepayments

	<i>2020 RM</i>	<i>2019 RM</i>
Deposits	87,420	87,420
Prepayments	63,752	22,264
	<u>151,172</u>	<u>109,684</u>

9. Cash and cash equivalents

The components of cash and cash equivalents consist of:-

Cash and bank balances	<u>15,639,958</u>	<u>6,545,607</u>
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- a) Cash and bank balances are denominated in Ringgit Malaysia.
b) Not expected credit losses were recognised arising from the cash and bank balances as the probability of default by these financial institutions are negligible.

10. Contributed share capital

	<i>Number of shares</i>		<i>Amount</i>	
	2020	2019	2020 RM	2019 RM
Shares with no par value Ordinary shares issued and fully paid				
At beginning/ end of year	<u>5,686,618</u>	<u>5,686,618</u>	<u>5,686,618</u>	<u>5,686,618</u>

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11. Retained earnings

The retained earnings of the Company are available for distribution by way of cash dividends or dividends in specie. Under the single-tier system of taxation, dividends payable to shareholders are deemed net of income taxes. There are no potential income tax consequences that would result from the payment of dividends to shareholders.

12. Trade and other payables

	2020 RM	2019 RM
Trade payables		
- Holding company	31,053,958	23,876,334
Accruals	127,356	167,335
Provisions	885,081	-
	<u>32,066,395</u>	<u>24,043,669</u>

The normal trade credit terms granted by the Holding Company to the Company is 180 days (2019 : 180 days)

The amount due to Holding Company is unsecured interest free and repayable on demand.

13. Revenue

Sale of pharmaceutical products	<u>64,647,641</u>	<u>55,656,370</u>
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14. Employee benefits expenses

Staffs' remuneration		
- Salaries, bonus, allowances and incentives	5,272,750	4,372,695
- Defined contribution plan expenses	622,668	528,885
	<u>5,895,418</u>	<u>4,901,580</u>

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15. Profit/(Loss) from operations

	2020	2019
	RM	RM
Profit/(Loss) from operations has been arrived at :-		
<i>After charging :-</i>		
Audit fee		
- Statutory	15,000	15,000
- Non statutory	17,019	14,052
Drugs registration fees and expenses	23,550	10,198
Expired stocks written off	3,818,249	3,302,632
Loss on foreign exchange		
- Realised	622,641	186,662
- Unrealised	1,032,185	19,960
Promotion expenses	22,324,156	22,152,552
Rental of premises	-	175,272
Trademark application expenses	151,550	121,819
Unrealised gain on exchange written back	<u>4,219</u>	<u>2,168,170</u>
<i>and crediting:-</i>		
Gain on foreign exchange		
- Realised	-	681,588
- Unrealised	52,731	4,219
Unrealised loss on exchange written back	<u>19,960</u>	<u>-</u>

16. Finance costs

Interest on lease liabilities	<u>42,892</u>	<u>-</u>
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17. Tax expense

Malaysian income tax		
- Current year	636,634	93,870
- Previous year	352	(2,995)
	<u>636,986</u>	<u>90,875</u>
Deferred taxation (Note 6)		
- Current year	<u>(239,760)</u>	<u>(514,985)</u>
	<u>397,226</u>	<u>(424,110)</u>

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17. Tax expense (contd.)

The significant differences between the tax expense and accounting (loss)/profit multiplied by the statutory tax rate are due to the tax effects arising from the following items:-

	2020	2019
	RM	RM
Profit/(Loss) from ordinary activities before tax	<u>1,411,972</u>	<u>(1,972,838)</u>
Tax at the statutory income tax rate of 24% (2019 - 24%)	338,873	(473,481)
Tax effects of non-deductible expenses	58,001	52,366
Income tax - previous year	<u>352</u>	<u>(2,995)</u>
Tax expense	<u>397,226</u>	<u>(424,110)</u>

18. Related party disclosures

18.1 Identities of related parties

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The Company has controlling related party relationship with its holding company.

18.2 Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director of the Company.

There was no compensation paid to key management personnel.

18.3 Related party transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, if any, the Company had the following transactions with related parties during the financial year.

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18. Related party disclosures (contd.)

18.3 Related party transactions (contd.)

	2020	2019
	RM	RM
<u>Purchases of trading goods</u>		
Holding Company	25,173,582	22,258,064
Related Company	-	160,782

All purchases are at prices prevailing at dates of the transactions.

19. Categories of financial instruments

(a) Capital management

The primary objective of the Company's capital management is to ensure that the Company would be able to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The overall strategy of the Company remains unchanged from financial year ended 31 March 2019.

The Company's capital structure is represented by the equity of the Company and its capital ratio is determined by the immediate holding company. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2020 and 31 March 2019.

The Company is not subject to any externally imposed capital requirements as all its funding is from the holding company.

(b) Categories of financial instruments

Financial assets measured at amortised cost	2020	2019
<u>Loan and receivables financial assets</u>	RM	RM
Trade and other receivables and deposits, excluding prepayments	25,704,059	25,671,036
Cash and cash equivalents	15,639,958	6,545,607
	<u>41,344,017</u>	<u>32,216,643</u>
 Financial liabilities measured at amortised cost		
<u>Other financial liabilities</u>		
Current		
Trade and other payables	32,066,395	24,043,669
Lease liabilities	250,270	-
	<u>32,316,665</u>	<u>24,043,669</u>
Non current		
Lease liabilities	78,056	-

19. Categories of financial instruments (contd.)

(c) Determination of fair values

Methods and assumptions used to estimate fair values

The fair values of financial assets and financial liabilities are determined as follows:

Financial instruments that are not carried at fair values and whose carrying amounts are at reasonable approximation of fair values.

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, cash and cash equivalents, trade and other payables and amount due to/(from) related companies are reasonable approximation of fair values due to their short term nature.

20. Financial risk management objectives and policies

The Company's financial risk management objective is to optimize value creation for shareholders whilst minimizing the potential adverse impact arising from fluctuation in foreign currency exchange and liquidity and cash flow risk, interest rate risk and credit risk.

Information on the management of the related exposures to the respective financial risks is detailed below:

(a) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign exchange rate risk on purchases that are denominated in a currency other than the functional currency of the Company. The currency giving rise to this risk is primarily United States Dollar ("USD").

The Company does not hedge these exposures by purchasing forward currency contracts. However, the management keeps this policy under review.

The net unhedged financial (assets)/liabilities of the Company that are not denominated in Ringgit Malaysia are as follows:-

<i>Denominated in USD</i>	<i>31.03.2020</i>	<i>31.03.2019</i>
	<i>RM</i>	<i>RM</i>
Trade receivables	(3,165,868)	(2,877,638)
Trade payables - Holding company	31,053,958	23,876,334
	<u>27,888,090</u>	<u>20,998,696</u>

20. Financial risk management objectives and policies (contd.)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's profit net of tax to a reasonably possible change in the USD exchange rate against the Ringgit Malaysia ("RM"), with all other variables held constant.

	Profit net of tax	
	31.03.2020	31.03.2019
	RM	RM
USD/RM - strengthen by 10% (2018 : 10%)	2,119,495	1,595,901
weaken by 10% (2018 : 10%)	<u>(2,119,495)</u>	<u>(1,595,901)</u>

(b) Liquidity and cash flow risk

The Company actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Company measures and forecast its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Company.

The Company is actively managing its operating cash flows to ensure all commitments and funding need are met. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Notes 5 and 12 to the financial statements.

(c) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluation is performed on all customers requiring credit over a certain amount and the Company regularly follows up on receivables outstanding beyond their stipulated time threshold for payments. The Company does not require collateral in respect of financial assets.

As the Company does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of each financial asset as at the end of the reporting period.

The Company determines concentration of credit risk by monitoring the profiles of their receivables on an ongoing basis.

20. Financial risk management objectives and policies (contd.)

(c) Credit risk (contd.)

As at 31 March 2020, the Company has significant concentration of credit risk arising from the amounts owing from 2 customers (2019: 2 customers) constituting 100% of net trade receivables of the Company.

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 7 to the financial statements. Cash and bank balances are placed with reputable financial institutions with high credit ratings and no history of defaults.

21. Significant event subsequent to the end of the reporting period

The World Health Organisation declared the 2019 Novel Coronavirus infection (“COVID-2019”) a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order (“MCO”) effective from 18 March 2020 to 31 March 2020 arising from COVID-19. The MCO was subsequently extended until 12 May 2020, followed by Conditional MCO and Recovery MCO until 9 June 2020 and 31 August 2020 respectively.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 Events after the end of the Reporting Period. Consequently, the financial statements for the financial year ended 31 March 2020 do not reflect the effects arising from this non-adjusting event.

The Company is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorization of the financial statements.

The Company anticipates that the potential financial reporting impact of COVID-19 would be recognised in the financial statements of the Company during the financial year ending 31 March 2021.

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**Management income statement
for the year ended 31 March 2020**

	2020	2019
	RM	RM
Revenue	64,647,641	55,656,370
Less: Cost of sales		
Opening inventories	-	-
Purchases	25,173,582	22,413,490
Closing inventories	-	-
	25,173,582	22,413,490
Gross profit	39,474,059	33,242,880
Other operating income		
Gain on exchange		
- Realised	-	681,588
- Unrealised	52,731	4,219
Unrealised loss on exchange written back	19,960	-
	72,691	685,807
Employee benefits expenses	<i>Appendix I-I</i> (5,895,418)	(4,901,580)
Depreciation	<i>Appendix I-I</i> (179,786)	(136,951)
Depreciation of right-of-use assets	<i>Appendix I-I</i> (234,324)	-
Other operating expenses	<i>Appendix I-II</i> (31,782,358)	(30,862,994)
Operating profit/(loss)	1,454,864	(1,972,838)
Finance cost	(42,892)	-
Profit/(Loss) before taxation	1,411,972	(1,972,838)

This management income statement is prepared from information furnished by the management Glenmark Pharmaceuticals (Malaysia) Sdn. Bhd. and does not form part of the audited financial statements of the Company.

**Management schedule of operating expenses
for the year ended 31 March 2020**

	2020	2019
	RM	RM
Employee benefits expenses		
Staffs' remuneration		
- Salaries, allowances, bonus and incentives	5,272,750	4,372,695
- Defined contribution plan expenses	622,668	528,885
	<u>5,895,418</u>	<u>4,901,580</u>
Depreciation		
Computer equipment	18,593	15,992
Furniture and fixtures	88,108	50,724
Office equipment	7,899	5,049
Motor vehicles	65,186	65,186
	<u>179,786</u>	<u>136,951</u>
Depreciation of right-of-use assets	<u>234,324</u>	<u>-</u>
Other operating expenses		
Audit fee		
- Statutory	15,000	15,000
- Non statutory	17,019	14,052
Bank charges	2,641	2,764
CME expenses	24,994	12,208
Consultancy and professional fees	50,802	58,188
Courier and transportation	92,990	176,635
Custom and duty charges	65,346	26,883
Drugs registration fee and expenses	23,550	10,198
Electricity expenses	30,947	15,022
Expired stocks written off	3,818,249	3,302,632
Insurance and road tax	7,075	5,276
International and national conferences	161,634	281,417
Loss on exchange		
- Realised	622,641	186,662
- Unrealised	1,032,185	19,960
<i>Balance carried forward</i>	<u>5,965,073</u>	<u>4,126,897</u>

This management income statement is prepared from information furnished by the management Glenmark Pharmaceuticals (Malaysia) Sdn. Bhd. and does not form part of the audited financial statements of the Company.

**Management schedule of operating expenses
for the year ended 31 March 2020**

	2020	2019
	RM	RM
Other operating expenses (contd.)		
<i>Balance brought forward</i>	5,965,073	4,126,897
Marketing expenses	1,320,948	396,463
Membership fee	5,000	10,000
Plant & equipment written off	4,899	-
Printing and stationery	17,773	22,870
Promotion expenses	22,324,156	22,152,552
Recruitment expenses	27,329	19,844
Regulatory fee	24,591	-
Rental of equipment	2,750	3,250
Rental of premises	-	175,272
Secretarial fee and expenses	33,804	20,617
Staff welfare	254,311	125,498
Stamp duty	-	2,098
Sundry expenses	1,535	1,166
Tax penalty	-	7,758
Telephone and fax charges	8,891	6,898
Trademark application expenses	151,550	121,819
Training and development	5,256	20,573
Travelling expenses	1,587,079	1,435,789
Unrealised gain on exchange written back	4,219	2,168,170
Upkeep of motor vehicles	8,970	5,379
Upkeep of office equipment and premises	34,224	40,081
	<u>31,782,358</u>	<u>30,862,994</u>
Finance costs	<u>42,892</u>	<u>-</u>

This management schedule of operating expenses is prepared from information furnished by the management of Glenmark Pharmaceuticals (Malaysia) Sdn. Bhd. and does not form part of the audited financial statements of the Company.